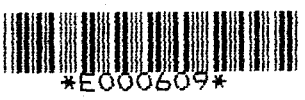
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REVIEW OF PROGRAMS AND ORGANIZATION OF THE HEALTH SERVICES AND MENTAL HEALTH ADMINISTRATION

A REPORT PREPARED FOR
THE ASSISTANT SECRETARY FOR HEALTH

APRIL 5, 1973

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20201

April 5, 1973

Dr. Charles C. Edwards
Assistant Secretary for Health
Department of Health, Education
and Welfare
Washington, D. C.

Dear Dr. Edwards:

Attached is the final report of the management and organizational study of the Health Services and Mental Health Administration programs and other health services related programs outside of HSMHA. The conclusions and recommendations in this report were developed after extensive interviews with the Acting Administrator, HSMHA; Deputy, Associate and Assistant Administrators of HSMHA; all HSMHA Program Directors; Program Directors in agencies outside HSMHA; eight Regional Health Directors; staff members in the Office of the Secretary; and several working sessions with the key staff in the Office of the Assistant Secretary for Health.

The recommendations of the study were developed in the context of the future federal role in health as articulated by Secretary Weinberger before the House Subcommittee on Public Health and Welfare. Specifically the federal role in health will be:

- Financing of health services through Medicare, Medicaid, and National Health Insurance
- Health and medical research
- Preventive health and consumer protection
- Technical assistance and special start-up funding for demonstration
- General student assistance programs for health manpower education
- Direct provision of medical care only as a last resort.

Each alternative organizational alignment considered in this study was analyzed in light of this new federal role.

The development and implementation of health policy is presently fragmented across three components of DHEW; the Health agencies, SSA and SRS. This is the most significant issue that the study had to address. In the proposed 1974 budget, the Medicare and Medicaid programs represent 79.1% of the total health budget. This means the Assistant Secretary for Health, the nation's top health official, has direct influence over no more than 20% of federal health expenditures.

In response to challenges that Medicare and Medicaid are not health programs, Secretary Weinberger has stated, "Not only are they health programs, they are the nation's most important health programs". The Office of Management and Budget supports this argument by treating Medicare and Medicaid as health programs in the federal budget.

The approach to administering these programs in the past has been predicated on two major assumptions:

- Medicare and Medicaid eligibility is tied so closely to the income assistance programs that separation is not feasible
- The delegation of leadership and policy guidance responsibility for these programs to the Assistant Secretary for Health should provide adequate health input

Based on the observations of this study, these assumptions are no longer valid and need to be reconsidered at this point if more effective health direction at the federal level is to be achieved.

Both the Bureau of Health Insurance (SSA) and Medical Services Administration (SRS) could be removed from their parent organizations without disrupting present payment systems. Eligibility determination would continue without change. Support services in the headquarters and the regional offices could be adjusted without major disturbance of operations. There are, in the case of Medicare, other offices in SSA that support BHI but these are readily identifiable and the appropriate divisions or branches are separable from the rest of the organization -- i.e. sub-units within Office of the Actuary, Office of Research and Statistics, Office of Planning and Evaluation.

Delegation of policy responsibility to the Assistant Secretary for Health has not worked. Whether an Assistant Secretary with stronger organizational support would have been more effective is argumentative. The fact is, there is presently no appropriate mechanism to ensure that all health policy matters are subject to

early and thorough review in terms of their potential impact on the nation's health care delivery system and that the full intent of such policy decisions on the health side is adequately reflected in contracts with the fiscal intermediaries and State agencies. Further, policy guidance itself is of limited value if communications and contracts with intermediaries, States and other participating agencies are performed in a separate organization. This is the point of leverage that will have to be shifted to the organizational control of "Health" if integrated policy with respect to health services is to be achieved. In short, there needs to be a single point of accountability for both policy determinations and implementation of health policy with respect to programs that finance health services.

There is increasing overlap of functions and staffing among OASH, HSMHA, SSA, and SRS. Duplicate staffs now exist with respect to such activities as health care standards and surveillance, health services research and experimentation, health planning and review and health maintenance organizations. Attempts to coordinate these separate efforts through the Office of the Secretary have resulted in additional staffing and substantial delays in decision-making. Such overlapping activities are not only wasteful of resources but are also confusing and costly to private and other affected organizations throughout the country. These difficulties can only be overcome by the establishment of a single focus of management responsibility and accountability for all health affairs within the Department.

Other major issues addressed in the report are as follows:

- National Health Insurance, the most important new health initiative, will be most effective if it is established and operated with an awareness of total health care supply and demand

- The Office of the Assistant Secretary for Health will require strengthening and realigning to effectively assume its role as the focal point for establishing and directing the implementation of health policy

- The character of HSMHA must undergo drastic revision to accommodate the new federal role in health

- The role of the regional office will need to be altered significantly to reflect the new federal role in health

- The respective roles of the health agencies, especially in applied research and control activities, are not clear
- The role and organizational placement of health manpower programs needs to be redefined

Several HSMHA organizational issues were identified in the study and are addressed in the report:

- HSMHA is a conglomerate of specialized categorical programs without a central purpose supportive of overall health policy
- Each program contains one or more of the following functional elements: grants administration, standards development and monitoring, technical assistance, research and development, direct delivery, training
- Inter-program communication and coordination is minimal and clustering of programs has been marginally effective in correcting this problem
- The interface between health services and health financing programs has been inadequate
- Successful mechanisms have not been devised to resolve the conflict between regional objectives and the national objectives of categorical programs
- The new organization must provide for phase-out of several activities within HSMHA
- The relationship of mental health to other HSMHA activities is unclear

The study has revealed that substantial progress has been made in decentralization of HSMHA functions to the regions. There are current problems, however, that need to be corrected with implementation of the study recommendations. Specifically, there is:

- Lack of unified mission among the regional and headquarters activities
- Inadequate relationships to other HEW programs in the regions

- Incomplete grant decentralization, particularly involving the National Institutes of Mental Health
- Lack of an operational budget controlled by the Regional Health Directors
- Lack of effective methods for providing regional input on national policy

A number of management changes need to be effected to improve health operations in the regions:

- Define the Regional Health Director's role as the principal health official in the region and his reporting relationship to the Assistant Secretary for Health
- Integrate all regional health staff activities including RHMF
- Integrate the regional health service activities with the health financing program activities
- Complete the decentralization of grant authority
- Strengthen the technical assistance capability of the regional offices

These changes, when implemented, will enable the regions to assume their future role in implementing the federal health mission. This new role will consist of:

- Monitoring compliance of health care providers with financing standards
- Health surveillance and assessment of need, capability and effectiveness of health delivery system
- Assistance in resource development at the State and local level
- Traditional public health and disease prevention activities

In developing the recommended reorganization plan for HSMHA, the task force developed four principal alternatives. These alternatives were chosen to contrast available options of organizing:

- To assume future functional alignment
- To benefit from existing administrative capacity
- To integrate mental health with other health services activities

Each of these alternatives were then analyzed and evaluated in light of major organizational objectives:

- Facilitate development of health policy for a national health mission
- Facilitate inter-program coordination and regional operations within a single agency mission
- Provide flexibility for future change
- Facilitate implementation without disruption of program operations

The recommended reorganization draws on the strengths of each alternative and as such represents a synthesis of organizational advantages of all options considered. Obviously, this process requires compromise on certain objectives.

The organization of programs under the Assistant Secretary for Health should be realigned in five agencies, each having a unified mission:

- National Institutes of Health (NIH)
- Food and Drug Administration (FDA)
- Health Resources Administration (HRA)
- Health Services Administration (HSA)
- Center for Disease Control (CDC)

National Institutes of Health - The Bureau of Health Manpower Education (BHME) should be transferred from NIH into the new agency HRA. The rationale for keeping BHME in NIH because of the close ties and grant support to medical schools and other institutions has been largely eliminated through decisions to support education primarily through general student assistance. The future role of BHME in HRA must focus on the nature of health manpower as a critical health services resource, and will consist primarily of manpower intelligence (determination of supply and demand) and highly targeted special projects in manpower research and demonstration.

The National Institutes of Mental Health should be transferred to NIH. The budget decisions to cease making new project awards for community mental health centers and alcohol abuse programs removes NIMH from the arena of direct services. The retention of project grant activities in drug abuse programs is no more compromising of the research orientation of NIH than the "control activities" of the Cancer and Heart and Lung Institutes. Legislation presently requires that the National Institute for Alcoholism and Alcohol Abuse and the new National Institute for Drug Abuse (December 1974) be in the NIMH. With changes in this legislation, the alcohol and drug abuse activities could be separated from NIMH if desired.

Primarily for administrative reasons, this study does not propose separation of the alcohol and drug abuse programs from NIMH. It was recognized that alcohol and drug abuse are important public health problems. There are, however, many other areas with high national priorities, such as cancer, heart and lung disease, aging, etc. The focus of this study was not so much the priority status of various programs, as it was to develop an organizational framework for effective operation. The question of elevating these two programs for higher visibility is a policy issue that needs to be addressed separately. From a purely functional and organizational point of view, the work group could not find reasons to recommend elevation of these programs. Certainly, the matter requires further consideration to examine in greater detail the programmatic implications and the professional and medical inter-relationships of the programs.

No recommendation is being made regarding organizational changes in the health service related activities of NIH. However, it is recommended that this area receive futher attention.

Food and Drug Administration - The FDA should remain intact but its relationship to the other health agencies in applied research should be further studied.

Health Resources Administration - A new agency should be established to provide national leadership related to the requirements for and distribution of health resources. In performing this mission, the HRA should:

- Provide overall surveillance of the status of health care in the U.S. through State and local health planning activities and the collection and analysis of data on resource capacities, health service needs, vital statistics and disease incidence
- Develop and test new approaches to the provision, production, and utilization of health manpower, health facilities, and health care systems
- Provide limited special support for resource development that is not effectively covered under health service financing and/or general educational support mechanisms

This agency would consist of programs presently existing in the Development cluster of HSMHA (with major redirection of program activities) and adding the BHME, National Center for Health Statistics, National Health Service Corps, and health service research and training activities.

Health Services Administration - A new agency should be established to provide and finance the delivery of health services through Medicare, Medicaid, grants and contracts, and ultimately, National Health Insurance. In accomplishing this mission, the HSA should perform the following functions:

- Develop standards and certify manpower and facilities for participation in financing programs
- Monitor compliance and adequacy of standards and evaluate the overall impact of standards and financing for policy implications
- Administer Titles XVIII (Medicare) and XIX (Medicaid) Programs
- Review appropriateness of care received in terms of cost, quality, and effectiveness
- Provide assistance to existing health service programs to strengthen their management capability and ensure they meet acceptable standards for reimbursement through financing programs

- Continue to provide or arrange for health services to specific federal beneficiaries while facilitating conversion of these activities to support through financing programs

This agency would consist of those HSMHA programs currently in the Delivery cluster (redirected and combined along functional lines) plus the Bureau of Health Insurance (SSA), Medical Services Administration (SRS), and Professional Standards Review Organization and Nursing Home Affairs (OASH).

Center for Disease Control - CDC should be established as an independent agency retaining its present mission. In addition, the remaining programs of the Bureau of Community Environmental Management (rat control and lead based paint) should be incorporated into the CDC program. National Institute of Occupational Safety and Health should receive administrative direction from CDC.

Implementation of the recommended reorganization should be undertaken at the earliest possible date and should be effected under the leadership of a management team to be assembled for this express purpose. Timely implementation could proceed with Secretarial concurrence in the concept of the reorganization as defined herein, and delegation of implementation authority to the Assistant Secretary for Health.

Immediate action should be taken on the following:

- Transfer National Institutes of Mental Health to National Institutes of Health
- Establish Center for Disease Control as a separate agency
- Establish Health Resources Administration and Health Services Administration as separate agencies
- Abolish Health Services and Mental Health Administration concurrent with establishment of Health Resources Administration and Health Services Administration
- Transfer Bureau of Health Manpower Education to Health Resources Administration
- Change reporting relationship of Regional Health Director to Office of Assistant Secretary for Health

On a date to be established by the Secretary, preferably no later than July 1, 1973, place the Bureau of Health Insurance and Medical Services Administration under the direction of the Assistant Secretary for Health. The OASH and the two organizations should be given a maximum of 90 days to develop the administrative details for effective merger of the appropriate staffs into the Health Services Administration.

Restructuring of this magnitude will require considerable flexibility for the management team directing the activities. Therefore, it was not the intent of this report to provide a detailed plan but rather to provide the overall framework of the proposed reorganization within which operational decisions can be made. Authority to act and timely implementation will determine the ultimate degree of success of this undertaking.

Respectfully submitted,

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